



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2009 Biennium

Bill #	HB0069	Title:	Licensure and regulation for certain residential mortgage lenders
Primary Sponsor:	McNutt, W.	Status:	As Introduced

- | | | |
|--|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Include in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input checked="" type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
Expenditures:				
State Special Revenue	\$ 264,714	\$ 334,960	\$ 338,768	\$ 342,671
Revenue:				
State Special Revenue	\$ 602,350	\$ 554,150	\$ 554,150	\$ 554,150
Net Impact-General Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Description of fiscal Impact: This bill will create additional expenditures and revenue to the state special revenue fund for licensure and regulation of residential mortgage lenders.

FISCAL ANALYSIS

Assumptions:

Department of Administration

1. The proposed bill will require licensing and regulation of mortgage lenders. Licenses will be issued for one year and be renewed annually on September 30. The initial licensing fee for a mortgage main office will be \$750. The licensing fee for each branch location will be \$250. License renewals for the main office will be \$500. Renewals for each branch will be \$250.
2. Estimated revenue from mortgage lender licenses in FY 2008 will be \$529,750 (116 main office licenses x \$750 per licenses = \$87,000; 1,771 branch licenses x \$250 per licenses = \$442,750). Estimated revenue from renewals in FY 2009 will be \$500,750 (116 main office licenses x \$500 per renewal = \$58,000; 1,771 branch renewals x \$250 per renewal = \$442,750).
3. Examinations are projected at 12 examiner-days per month at a standard rate of \$300 per examiner per day. Examinations will begin during the second half of FY 2008. Revenue from examinations will be

\$21,600 in FY 2008 (72 examination days per half year x \$300 per examination day = \$21,600). Revenue from examinations will be \$43,200 in FY 2009 (144 examination days per year x \$300 per examination day = \$43,200).

4. Investigations are projected at one per month and will begin in January of 2008. Each investigation will require a court reporter for depositions. Court reporter costs will be \$260 per deposition. The cost of depositions in FY 2008 will be \$1,560 (6 depositions x \$260). The cost of depositions in FY 2009 will be \$3,120 (12 depositions x \$260). There will be 10 investigations per year that will result in the need to use a hearing examiner. Hearing examiner costs will be \$70 per hour and will total 40 hours per case. The cost for hearing examiners in FY 2008 will be \$14,000 (5 cases x \$70 per hour x 40 hours). The cost for hearing examiners in FY 2009 will be \$28,000 (10 cases x \$70 per hour x 40 hours).
5. There will be 4.00 FTE needed for licensing matters, inquiries, complaints, investigations and examinations. This includes 1.00 FTE hired in an investigator position which will be moved over from an existing examiner position within the division starting 1/1/08. The investigator will look into complaints and unlicensed mortgage lending activity. 1.00 FTE will be a pay band 4 (hired 7/1/07) program specialist. 2.00 FTE will be pay band 6 (hired 1/1/08) examiners who will perform examinations of mortgage lender licensees.
6. The cost for ARM publications, supplies and materials, communications, dues, rent, and training will be \$23,710 in FY 2008 and \$42,718 in FY 2009. Rulemaking will require one public hearing and will generate eight pages of rules. ARM publication costs will remain at \$50 per page. Notice and adoption language will require one additional page. Travel costs will be \$11,121 in FY 2008 and \$22,242 in FY 2009. Equipment for workstations and personal computers will be a one-time expense of \$4,800 in FY 2008. Network usage costs will be \$3,265 in FY 2008 and \$5,227 in FY 2009. Training and continuing education expenses for the three pay band 6 FTEs will begin in FY 2008 and will continue in FY 2009.
7. Services will be contracted for with the department's Information Technology Services Division for development, implementation, and maintenance of an interactive database, which includes e-licensing. The average costs per hour for a small project MIS contract is \$85. Estimated expenditures are \$68,000 in FY 2008 (800 hours x \$85/hour = \$68,000) and \$51,000 in FY 2009 (600 hours x \$85/hr = \$51,000).
8. An inflation factor of 2.5% has been applied to FY 2010 and FY 2011.

Department of Justice

9. It is estimated that in FY 2008, 1,500 individuals will undergo a one-time criminal background investigation under the proposed legislation, and that the number will be significantly lower in FY 2009. It is assumed that 300 criminal background investigations will occur in FY 2009 and beyond.
10. The Department of Justice charges a fee of \$34 for a fingerprint-based criminal background investigation. Fees are paid by the applicant. Revenue to the state would be \$51,000 in FY 2008 (\$34 per occurrence x 1,500 = \$51,000) and \$10,200 in FY 2009 (\$34 per occurrence x 300 occurrences = \$10,200). The department pays \$22 per check to the Federal Bureau of Investigation (FBI) for the investigations.

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
<u>Fiscal Impact:</u>				
Department of Administration				
FTE	2.00	3.00	3.00	3.00
<u>Expenditures:</u>				
Personal Services	\$ 105,258	\$ 176,053	\$ 176,053	\$ 176,053
Operating Expenses	\$ 126,456	\$ 152,307	\$ 156,115	\$ 160,018
TOTAL Expenditures	\$ 231,714	\$ 328,360	\$ 332,168	\$ 336,071
<u>Funding of Expenditures:</u>				
State Special Revenue (02)	\$ 231,714	\$ 328,360	\$ 332,168	\$ 336,071
<u>Revenues:</u>				
State Special Revenue (02)	\$ 551,350	\$ 543,950	\$ 543,950	\$ 543,950
Department of Justice				
<u>Expenditures:</u>				
Operating Expenses	\$ 33,000	\$ 6,600	\$ 6,600	\$ 6,600
<u>Funding of Expenditures:</u>				
State Special Revenue (02)	\$ 33,000	\$ 6,600	\$ 6,600	\$ 6,600
<u>Revenues:</u>				
State Special Revenue (02)	\$ 51,000	\$ 10,200	\$ 10,200	\$ 10,200
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
State Special Revenue (02)	\$ 337,636	\$ 219,190	\$ 215,382	\$ 211,479

*Sponsor's Initials*_____
*Date*_____
*Budget Director's Initials*_____
Date